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Philip Morris Innovates, Beats Antismoking Odds

BY ROBERT E. DALLOS, Times Staff Writer

NEW YORK—The accelerating antismoking campaign appears to be making inroads on national cigaret sales, but Philip Morris Inc. is bucking the trend.

Cigaret sales actually declined nationally during the third quarter and for the first time in many years the industry as a whole will show only a 1% rise in sales for the year. But New York-based Philip Morris will show an impressive 9% sales gain for the year.

The increase, according to John E. Cookman, a PM vice president, will help the nation's fourth largest cigaret maker enter the somewhat exclusive group of companies with $1 billion in annual sales.

80 Billion Cigarets

Last year, Philip Morris had sales of $904.8 million. That's a lot of cigarets—80 billion, according to Cookman.

The company's namesake, the Philip Morris brand, has been a contributor to that gain, but even greater contributors have been Marlboro, Parliament and Benson & Hedges 100's. And women are just starting to call for Virginia Slims, a new 100-millimeter cigaret aimed exclusively at the distaff side.

The attacks on cigarets "can't be anything but harmful," Cookman complained. "But how effective they have been is hard to tell. People certainly don't stop driving when they look at the highway accident fatality statistics."

"Wall Street generally has estimated that we will earn between $4.25 and $4.35 per share this year," he continued, "our chairman (Joseph F. Cullman) has also indicated that he thought $4.30 would be a conservative estimate at this time. I never argue with chairmen."

For all 1967, Philip Morris, whose cigaret brands are sold in 150 countries, had net earnings of $43,602,000, or $3.94 per share, an increase of 27.6% over the $34,183,000, or $3.08 a year earlier.

In the first nine months of this year the company reported net earnings of $35,713,000 or $3.20 per share (adjusted for the 10% income tax surcharge from Jan. 1) on revenues of $753,198,000. This compares with an income of $31,583,000 or $2.83 a share on sales of $672,633,000 in the like period a year earlier.

What's the secret of Philip Morris' success?

Basically, according to the executive it's a story of good advertising and superior packaging and marketing, factors which have helped the company increase its market share from 10 to 15% in just a few years.

"We believe that in the long run in this business that to be first with an innovation is vitally important if you are to have a successful product," he said.

He claimed that Marlboro pioneered the flip-top box. The introduction of Benson and Hedges 100's with the popular "in" advertising campaign (smokers of the brand snapped off cigaret ends with their lighters, got the end caught in elevator doors or burned their friends' beards) contributed $125 million to sales this year. When introduced into the United States in 1966, the brand contributed "nothing" to sales.

Parliaments he said have been helped by a good advertising campaign featuring scenes of Britain's Parliament in the background and have thus "become a good solid 10 billion cigaret brand." People in search of a "high filtration" cigaret are switching to the brand, he added.

Virginia Slims, the first cigaret designed specifically for women and introduced in September are "well accepted" and are expected to contribute significantly to sales next year, he noted.

A third of Philip Morris' cigaret output is sold abroad and foreign business has helped the company's earnings picture. Cookman credited this to the increase in population and higher living standards.

Philip Morris' industrial division which makes a variety of packaging materials was "well up in sales and profits this year."

Clark Gum Co., a subsidiary acquired 7 years ago, increased its share of the gum market from 1% when it was purchased to a current 5%, he said.

Philip Morris is seeking to expand the surgical blade business of its American Safety Razor Co. subsidiary (makers of Personna blades).

Cookman said Philip Morris is "looking actively" for sound acquisitions. He added "something compatible with our disposable consumer product business" is desired. "We have been offered everything from football teams to liquor businesses," he said.

Philip Morris has no plans to change its TV advertising as a result of a federal appeals court decision which upheld a Federal Communications Commission advisory opinion requiring broadcasters to devote "significant" time to antismoking messages.

Though the case is expected to go to the Supreme Court, some tobacco company executives are said to be questioning whether the value of cigaret commercials on TV is offset by the damage caused by the antismoking messages that must be aired because of them.

Asked about rumors that U.S. tobacco companies have purchased land in Mexico to grow marijuana or have copyrighted names for marijuana cigarets in the event that they were ever legalized in the United States—a Philip Morris spokesman wasn't amused. "We are not doing a solitary thing," he said. "We have enough trouble without getting into marijuana."

NOTE

The adjacent article was sent to 260 newspapers across the country. The most prominent being; The Los Angeles Times and the Washington Post.

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